

**LEMON GROVE CITY COUNCIL  
AGENDA ITEM SUMMARY**

**Item No.** 3  
**Mtg. Date** October 4, 2016  
**Dept.** Finance Office

**Item Title:** Revised General Fund Reserve Policy

**Staff Contact:** Gilbert Rojas, Interim Finance Director

**Recommendation:**

Adopt the attached revising the General Fund Reserve Policy.
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**Item Summary:**

On June 5, 2012, the City Council adopted Resolution No. 3111 which approved a General Reserve Policy. This policy was to ensure that the City maintained an appropriate reserve fund. The reserve was set at a goal of 25% of General Fund operating expenditures. However in recent years one time purchases have routinely been budgeted from the reserve fund. During FY 16-17 budget adoption staff recommended that the reserve policy be updated to allow for the reserve fund to be used only for an economic emergency or a catastrophic event. One time expenditures will be budgeted each year in the non-departmental fund.

The revised policy will only allow transfers from the Reserve Fund by City Council Resolution that address repayment of the funds (if under the 25% threshold). The policy revision will assist the City Council and the public in identifying the reserve funds.

**Fiscal Impact:**

No fiscal impact with the revision of the reserve policy.

**Environmental Review:**

<input checked="" type="checkbox"/> Not subject to review	<input type="checkbox"/> Negative Declaration
<input type="checkbox"/> Categorical Exemption, Section <u>          </u>	<input type="checkbox"/> Mitigated Negative Declaration

**Public Information:**

<input checked="" type="checkbox"/> None	<input type="checkbox"/> Newsletter article	<input type="checkbox"/> Notice to property owners within 300 ft.
<input type="checkbox"/> Notice published in local newspaper	<input type="checkbox"/> Neighborhood meeting	

**Attachments:**

Resolution

# Attachment A

## RESOLUTION NO. 2016 -

### RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA APPROVING THE REVISED GENERAL FUND RESERVE POLICY

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**WHEREAS**, the City Council of the City of Lemon Grove recognizes the fiscal prudence of protecting reserve funds for the general operation of the City in the event of a natural disaster, an economic crisis or an unforeseen capital expenditure; and

**WHEREAS**, an established General Fund Reserve Policy will help ensure that the City maintains an appropriate reserve; and

**WHEREAS**, the City Council adopted the General Fund Reserve Policy on June 5, 2012; and

**WHEREAS**, the revised policy eliminates the operating reserve fund that funds one time expenditures.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Lemon Grove, California hereby approves the revised General Fund Reserve Policy (Exhibit 1.)

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# **Exhibit 1**

## **CITY OF LEMON GROVE GENERAL RESERVE POLICY**

### Background

The Government Finance Officers Association (GFOA), an organization that promotes the professional financial management of governments for the public interest, recommends that local governments establish a reserve and maintain this reserve by adopting a formal policy for administration.

### Purpose

To maintain the City's credit rating and meet seasonal cash flow shortfalls, economic downturns or a local disaster, the City Council shall establish a contingency reserve equal to 25% or more of the General Fund adopted operating budget.

The contingency reserve may be used at the discretion of the City Council to:

- Provide temporary resources in the event of an economic downturn while expenditure reductions are implemented.
- Provide resources to meet emergency expenditures in case of flood, fire, earthquake or other disasters.
- Provide resources for an unforeseen capital expenditure.

### Administration

The City will establish a separate Fund (06) within the City's internal books to account for this Reserve Fund. All disbursements and replenishments will be accomplished as Inter-fund transfers. The Reserve fund will be combined with the General Fund for Financial Statements. It is important to clearly demonstrate the actual Reserve amount to the general public.

### Year End

General Fund surpluses at Fiscal Year-end will be divided in half. Half will be transferred to the Reserve Fund, with the remaining half to be used at City Council discretion for one-time expenditures. The Pension Liability Fund (04) and/or Capital Reserve (32) are two possible uses for one-time expenditures.

### Transfers

The use of the reserves shall be accomplished only by City Council Resolution. The City Resolution will direct which City Fund (entity) will receive an inter-fund transfer from the Reserve Fund. The Resolution will also include information regarding the plan and timeframe for replenishment of the Reserve provided the Reserve is below the minimum requirement.

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Adopted June 5, 2012

Amended October 4, 2016